



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

March 29, 1995

CERTIFIED RETURN RECEIPT
P 074 978 935

Douglas P. Reid
District Ranger
United States Forest Service
Fillmore Ranger District
P.O. Box 265
Fillmore, Utah 84631

Re: Reclamation Surety Cancellation & Replacement, Ash Grove Cement Company (Ash Grove), Leamington Quarry, M/023/004, Juab County, Utah

Dear Mr. Reid:

On March 20, 1995, the Division received a "Notice of Cancellation of Bond by Surety" from Crum & Forster Commercial Insurance for United States Fire Insurance Company Bond # [redacted] on behalf of Ash Grove and in favor of USA, U. S. Dept. of Agriculture. The notice indicates the bond cancellation will be effective May 3, 1995. The Notice of Cancellation requires a signature of receipt by the obligee. Because the bond for this operation is being held by your agency, we are forwarding the Notice of Cancellation to you. We have been informed that Ash Grove will need to submit a letter to your agency formally requesting bond release before a release can be granted. Please provide us with a copy of Ash Grove's bond release request for our files.

Ash Grove has informed us over the telephone they will be replacing this bond for the Leamington Quarry prior to the cancellation date. The replacement bond should jointly list the USFS and the Division in the amount of \$645,700 as requested in the Division's February 23, 1995 letter (copy enclosed). The Division requests that the present bond not be released by your agency until a replacement bond has been posted by Ash Grove. Our office will need to receive a draft copy of the replacement bond approximately 30 days prior to the cancellation date to review the bond documents for accuracy. This would mean that a draft replacement bond should reach our offices by April 3, 1995, if possible.

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Douglas P. Reid
M/023/004
March 29, 1995

From discussions with Ted Fitzgerald of the USFS Fishlake National Forest, we understand Ash Grove's patent application has been approved which means a majority of the current Leamington operations are no longer on USFS lands. In addition, we understand a land exchange between Ash Grove and the USFS has also been approved which further reduces the amount of USFS lands utilized by the Leamington operations. Ash Grove has recently submitted a revision to their large mine permit which includes USFS lands. The reclamation bond amount may have to be adjusted in the near future to reflect the changes in disturbed area as a result of the revision. If that is the case, the future bond would need to jointly list the USFS and the Division. Given the majority of land involved with the Leamington Quarry is now patented, the Division would be able to hold the joint bond as described under the current MOU between our agencies.

Thank you for your attention in this matter. If you have any questions regarding this letter please contact me or Tony Gallegos of the Minerals Staff.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Enclosures: Notice of Bond Cancellation
DOGM February 23, 1995 letter

pc: Michael Fagen, Marino & Wolf, w/o enclosures
Andrew Robinson, Ash Grove, w/o enclosures
Lowell Braxton, Associate Director, DOGM, w/o enclosures

M23-04NU.BND

**NOTICE OF
CANCELLATION OF BOND BY SURETY**

To: State of Utah
Dept. of Natural Resources
Div. of Oil, Gas & Mining
355 West North Temple
3 Triad Ctr., #350
Salt Lake City, UT 84180-1203

Date: 3-14-95

United States Fire Insurance Company, as Surety, hereby notifies you
that its Bond No. _____ dated on or about March 16, 1990, on behalf of
ASH GROVE CEMENT COMPANY, as Principal,
in favor of USA, U.S. Dept. of Agriculture, as Obligor,
described as Land Reclamation Bond

is hereby cancelled * days after receipt by you of this notice which is in accordance with the provisions of the bond and
that said Surety shall not be responsible thereunder for any Acts or Defaults committed or Loss occurring after said date of
cancellation. * to be effective 5-3-95.

cc: ASH GROVE CEMENT COMPANY
P.O. Box 25900
Overland Park, KS 66225

UNITED STATES FIRE INSURANCE COMPANY
Surety

cc: Marino & Wolf Ins.
2000 Shawnee Mission Pkwy., #200
Mission Woods, KS 66205
Attn: Mike Fagan

By Rita A. Miller
Rita A. Miller Attorney in fact

OBLIGEE PLEASE ACKNOWLEDGE RECEIPT ON DUPLICATE ORIGINAL WHICH IS ENCLOSED AND RETURN TO:

Crum & Forster Insurance
P.O. Box 2942
Shawnee Mission, KS 66201-1342

The foregoing Notice of Cancellation was received on _____

Liability under your bond terminates effective _____

Obligor

By _____

Title

(Execute and send to Obligor in Duplicate. Use Registered or Certified Mail as required by Bond.)



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February 23, 1995

Duane Crutchfield
Ash Grove Cement Company
P.O. Box 51
Nephi, Utah 84648

Re: Replacement Reclamation Sureties, Ash Grove Cement Company (Ash Grove),
Leamington Quarry, M/023/004, Navajo Sandstone Quarry, M/023/010, Nielson
Quarry, M/023/012, County Canyon Mine, M/023/024, Juab County, Utah

Dear Mr. Crutchfield:

On February 9, 1995 we received a series of formal 90-day surety bond cancellation notices from Mr. J. D. Hamlet, Attorney-in-Fact, on behalf of United States Fire Insurance Company-/Westchester Fire Insurance Company. These notices were for all of Ash Grove's presently permitted large mining operations on file with our office. The notices indicated the principal (Ash Grove) is in the process of securing replacement sureties.

On February 10, 1995, I spoke with Mr. Michael Fagan of Marino & Wolf Inc. regarding the surety dollar amounts and the replacement surety bond forms that would need to be completed and filed with our office. We discussed utilizing the Division's *joint agency* surety bond form for those large mining operations that are jointly permitted by this Division and the Bureau of Land Management (BLM). Blank copies of our surety bond form and new Reclamation Contract forms have been forwarded to Mr. Fagan. Additional copies of these forms are also enclosed with this letter.

Pursuant to Board directive and Division policy and procedure, whenever there is a change in the form of reclamation surety, a change in surety company, and/or an amendment/revision to the approved mining and reclamation plan, the existing reclamation surety estimate is revised to reflect current year reclamation dollars and then escalated 5 years forward. The operator is then requested to post this revised reclamation surety amount. Accordingly, the Division has gone back and recalculated the existing surety estimates for Ash Grove's mine sites. The revised surety estimates for each site are attached to this letter. Please review the attached estimates for accuracy and then provide the Division with the updated surety amounts for each mine site.

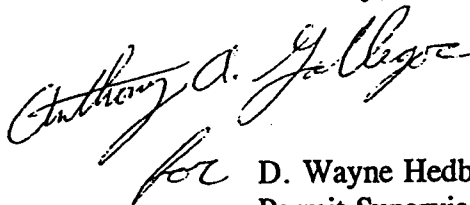
Page 2
Duane Crutchfield
Ash Grove Cement Company
February 22, 1995

The County Canyon mine site (DOGM permit # - M/023/024) will need to remain separately bonded by both this Division and the BLM. This mine site is categorized by the BLM as a mineral materials sale; therefore, it is not covered under our present joint agency Memorandum of Understanding which only involves locatable minerals. The Navajo Sandstone Quarry (M/023/010) and the Nielson Quarry (M/023/012) should be bonded using the Division's joint agency bonding forms.

The Leamington Quarry (M/023/004) is presently jointly bonded with the U.S. Forest Service and this Division. The Forest Service originally calculated the reclamation surety and presently holds the surety for this mine. We are aware that Ash Grove has recently gone through a patenting process for some (if not all) of the federally-managed lands permitted under the Leamington mine site. Assuming that Forest Service lands are still involved, we would suggest that this site be bonded jointly using our bonding forms.

We have enclosed copies of the existing Reclamation Contracts (FORM MR-RC) for each site that should be used as a guide/reference to complete the new forms. Please contact me or Tony Gallegos of my staff should you have questions or concerns in this regard.

Sincerely,

A handwritten signature in cursive script, appearing to read "Anthony A. Gallegos". Below the signature, the word "for" is written in a smaller, simpler script.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Attachments: Surety updates

Enclosures: Blank MR-RC & guide, MR-5 & 6, & Existing MR-RC's,

cc: Michael Fagan, Marino & Wolf w/attachments
Rody Cox, BLM, Warm Springs RA w/attachments
Walter Phelps, BLM, State Office w/attachments
Lowell Braxton, DOGM w/attachments

M023004.sur

SURETY ESTIMATE UPDATE

Ash Grove Cement Company

Leamington Quarry

M/023/004

Prepared by Utah Division of Oil, Gas & Mining

filename M23-04UP.WQ2

Last Update

02/13/95

Juab County

DESCRIPTION:

- Original reclamation surety estimate prepared by USFS in 1980; surety held by USFS
- USFS estimate amount was \$386,000 for 273 acres of disturbance
- Details of USFS reclamation estimate are not contained in DOGM files
- Mine plan update & revision currently being prepared by operator
- This update adjusts the base amount to present dollars & escalates 5 yrs
- Escalation factors through 1993 are actual Means Historical Cost Indices
- Actual escalation factor for 1994 not yet available
- Total disturbed area = **273 ACRES**

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
	1980	0.0860	\$386,000
$F = P(1 + i)^{**n}$	1981	0.0991	\$424,253
F = Future Sum	1982	0.0940	\$464,132
P = Present Sum	1983	0.0104	\$468,959
i = Escalation Factor	1984	0.0092	\$473,274
n = number of periods	1985	0.0290	\$486,999
	1986	0.0210	\$497,226
	1987	0.0195	\$506,922
	1988	0.0181	\$516,097
	1989	0.0177	\$525,232
	1990	0.0077	\$529,276
	1991	0.0127	\$535,998
	1992	0.0221	\$547,843
	1993	0.0254	\$561,759
Three Yr Average = 2.01%	1994	0.0201	\$573,050
Used to Project 5 Yrs	1995	0.0201	\$584,568
Into the Future	1996	0.0201	\$596,318
From the Year 1995	1997	0.0201	\$608,304
	1998	0.0201	\$620,531
	1999	0.0201	\$633,004
	2000	0.0201	\$645,727
Updated Surety Amount Rounded (2000-\$)			\$645,700
Average cost per acre =	\$2,365		

SURETY ESTIMATE UPDATE

filename M23-10UP.WQ2

Ash Grove Cement Company

Last Update **02/13/95**

Navajo Sandstone Mine M/023/010

Juab County

Prepared by Utah Division of Oil, Gas & Mining

Description:

- Original reclamation estimate calculated in 1987 for 18 acres of disturbance
 - Original reclamation surety amount posted was \$51,000
 - Reclamation estimate was reduced in 1990 to reflect current disturbance
 - Current surety amount is \$15,000 (1994-\$) for 8 acres of disturbance
 - This update will adjust the surety to present dollars & escalate 5 years into the future
 - Escalation factors through 1993 are actual Means Historical Cost Indices
 - Actual escalation factor for 1994 is not yet available
 - Average of past 3 yrs. actual escalation used to project future escalation
 - Total disturbed area = **8 ACRES**
-

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
	1990	0.0077	\$0
	1991	0.0127	\$0
$F = P(1 + i)^{**n}$	1992	0.0221	\$0
F = Future Sum	1993	0.0254	\$0
P = Present Sum	1994	0.0201	\$15,000
i = Escalation Factor	1995	0.0201	\$15,302
n = number of periods	1996	0.0201	\$15,609
	1997	0.0201	\$15,923
	1998	0.0201	\$16,243
	1999	0.0201	\$16,569
	2000	0.0201	\$16,902

Updated Surety Amount Rounded (2000-\$)

\$16,900

Average cost per acre =

\$2,113

SURETY ESTIMATE UPDATE

filename M23-12UP.WQ2

Ash Grove Cement Company

Last Update

02/13/95

Nielson Sandstone Quarry M/023/012

Juab County

Prepared by Utah Division of Oil, Gas & Mining

Description:

- Original reclamation estimate calculated in 1987 for 40 acres of disturbance
- 1987 estimate base amount of \$82,300 was escalated to the year 2007
- Current surety amount posted for this project is \$122,300 (2007-\$)
- Current disturbance is estimated as 7 acres
- This update adjusts the base amount to present dollars & escalates 5 yrs
- Escalation factors through 1993 are actual Means Historical Cost Indices
- Actual escalation factor for 1994 not yet available
- Average of past 3 yrs. actual escalation used to project future escalation
- Total disturbed area = **40 ACRES**

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
	1986	0.0210	\$0
	1987	0.0195	\$82,300
	1988	0.0181	\$83,790
	1989	0.0177	\$85,273
	1990	0.0077	\$85,929
	1991	0.0127	\$87,021
$F = P(1 + i)^{**n}$	1992	0.0221	\$88,944
F = Future Sum	1993	0.0254	\$91,203
P = Present Sum	1994	0.0201	\$93,036
i = Escalation Factor	1995	0.0201	\$94,906
n = number of periods	1996	0.0201	\$96,814
	1997	0.0201	\$98,760
	1998	0.0201	\$100,745
	1999	0.0201	\$102,770
	2000	0.0201	\$104,835

Updated Surety Amount Rounded (2000-\$)

\$104,800

Average cost per acre =

\$2,620

SURETY ESTIMATE UPDATE

filename M23-24UP.WQ2

Ash Grove Cement Company

Last Update 02/13/95

County Canyon Mine

M/023/024

Juab County

Prepared by Utah Division of Oil, Gas & Mining

DESCRIPTION:

- Current reclamation estimate of \$44,600 was calculated in 1992 for 22 acres
- Current surety base amount was \$41,892 (1992-\$)
- Division & BLM both hold sureties for this operation
- BLM surety amount is \$21,600; Division surety amount is \$23,000
- This update adjusts the base amount to present dollars & escalates 5 yrs
- Actual escalation factor for 1994 is not yet available
- Average of past 3 yrs. actual escalation used to project future escalation
- Escalation factors through 1993 are actual Means Historical Cost Indices
- Total disturbed area = **22 ACRES**

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
	1991	0.0127	\$0
$F = P(1 + i)^{**n}$	1992	0.0221	\$41,892
F = Future Sum	1993	0.0254	\$42,956
P = Present Sum	1994	0.0201	\$43,819
i = Escalation Factor	1995	0.0201	\$44,700
n = number of periods	1996	0.0201	\$45,599
	1997	0.0201	\$46,515
	1998	0.0201	\$47,450
	1999	0.0201	\$48,404
	2000	0.0201	\$49,377
Updated Surety Amount Rounded (2000-\$)			<u>\$49,400</u>

Average cost per acre = \$2,245

THIS OPERATION IS CATEGORIZED BY THE BLM AS A MINERAL MATERIALS SALE
THIS IS NOT COVERED UNDER THE MOU FOR LOCATABLE MINERALS